



# **EDWARD LEONARD**

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### **Investing for Kids**

#### **What is Investing?**

Investing is putting your money in securities like stocks, bonds, or mutual funds with hopes of making money.

#### **What about Risk?**

Investing your money does have a risk. The key is to understand risk and return. If you put your money in a safe at home you have almost 0% risk but also no return. (Your money will not make money.) If you “invest” in a lottery ticket, you have about 99.999% risk (you will probably lose your money), but if you happen to win you would have a very large return.

The options above are the two extremes. You should try to choose something in the middle like securities.

#### **What are Securities?**

- **Bonds-** Bonds are certificates of debt issued to raise money for the government and corporations. Investors in bonds are lending money to these institutions to make more money in the long run.
- **Stocks-** Stocks are shares of ownerships in companies. You own stock in hopes that the company will profit so the price of your stock will go up. The best place for long-term investments is in the stock market.
- **Mutual Funds-** A mutual fund is money from individual investors, companies, and other organizations that a professional manager invests in some combination of stocks, bonds and/or other securities.

#### **How do I Invest?**

If you are under 18 years old, you must get help from your parent or guardian. Start by talking about your plans with your parents. You and your parents can find websites that teach kids how to play the stock market. If your parents already own stocks, ask if you can give them money to invest. Or talk about opening an account at a brokerage (a place that specializes in buying securities for a fee).

Learning how to invest will take time, but is very rewarding.

**Do you want to retire  
with 2 million dollars  
by the time you are  
65?**

Haven't thought about it yet? Well, you should. If you start investing \$30 a month (about \$1 a day) at age 11 and have a 12% rate of interest, you'll have your 2 million dollars!

If you wait to invest until you are 25 with the same amount of money and the same interest rate, you'll only have about \$350,000 by the time you are 65 years old.